

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-481

January 28, 2003

BANGOR GAS COMPANY, LLC
Proposed Cost of Gas Adjustment
(\$ 4703) – Mid-Course Adjustment

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We approve Bangor Gas Company LLC's (Bangor Gas, BGC or Company) Mid-Course Adjustment to its Energy Charge and Past Gas Cost Adjustment factors effective February 1, 2003 through April 30, 2003. We also require Bangor Gas to file by March 14, 2003, a proposal on how to provide its customers with information on gas commodity price trends as discussed further in this order.

II. PROCEDURAL HISTORY

On January 13, 2003, Bangor Gas filed a proposed Mid-Course Adjustment pursuant to its terms and conditions (Original Sheet 30, First Revision) to its Energy Charge and Past Gas Cost Adjustment rates for the winter 2002-2003 period. Bangor Gas states that the Mid-Course Adjustment is necessary because of the increased market price of gas since its rates for the winter 2002-2003 period were set.

The Company, in compliance with the Commission's October 30, 2002 Order in this case approving Mid-Course Adjustment revisions to Bangor Gas terms and conditions, mailed a notice of the proposed Mid-Course Adjustment to its customers on January 9, 2003. On January 16, 2003, Ms. Shannon E. Martin filed a letter requesting a public hearing and also to be added to the list of interested persons.

On January 21, 2003, the Commission staff contacted Ms. Martin to obtain a better understanding of her concerns regarding Bangor Gas's filing. Ms. Martin stated that she had concerns with the amount of time between when she received the notice and when the rates would take effect as well as with the limited information provided regarding the need for the increase. She felt that it would benefit the customers to have access to information regarding trends in the gas market so they would have a better understanding of when rate changes could be expected.

On January 21, 2003, by telephone, Bangor Gas waived its right to have a written Examiner's Report issued for comment prior to deliberations. The OPA also waived its right.

III. PROPOSED COST OF GAS RATE

In this filing, Bangor Gas seeks to adjust its Energy Charge and Past Gas Cost Adjustment rates for service for the period February 1, 2003 to April 30, 2003. The Company calculated the Energy Charge using the same procedures it had for the original rate but with more recent futures prices to reflect the changes in the market. Its revised Past Gas Cost Adjustment reflects under-collections for November 2002 through January 2003 and revised sales estimates.

Bangor Gas states that gas commodity prices have increased approximately 19.1% since the 2002-2003 winter period gas rates were set last fall. Through the end of January, BGC expects to have an under-collection of \$44,000. The Company's proposal increases the Energy Charge from \$0.46 per therm to \$0.541 per therm and the Past Gas Cost Adjustment from \$-0.005 per therm to \$0.077 per therm. The change in the Energy Charge is to reflect the change in the futures prices for gas for the remaining winter period while the change in the Past Gas Cost Adjustment is to collect the under-collection accumulated to date over the remaining months of the winter period. Together these increases amount to a 29.01% in the commodity portion of Bangor Gas's rates.

IV. ANALYSIS

A. Proposed Cost of Gas Rate Change

Bangor Gas proposes that we adjust the CGA rate based on the weighted natural gas futures prices as settled on January 7, 2003 to reflect the increase in the gas commodity price. The Commission is aware of the recent increases in the cost of the commodity prices of gas and, in keeping with its past policies to reflect market changes as soon as practicable so customers get the correct price signals, agrees that Bangor Gas's proposed rate increase is necessary. There has been no indication from market reports that the current rise in prices will not be sustained at least through the remaining months of this winter period. Therefore, in order to prevent future under-collections as well as provide the appropriate price signals, it is appropriate to approve Bangor Gas's request.

We also reviewed Bangor Gas's calculation of its Past Gas Cost Adjustment and determined that it is properly calculated. It includes a netting of the over-recovery that existed upon entering into the current period against the under-collections incurred during the period November 2002 through January 2003. The Company proposes to recover the under-recovery attributable to the current winter period in the remainder of this season. Alternatively, the present under-recovery could be deferred for recovery in the 2003-2004 winter period. We decline to defer the recovery until next winter season given our view that it is preferable, absent undue rate shock, to reflect market conditions in rates when possible. This allows those using the

commodity to be aware of and react to those price signals, and it maximizes the likelihood that those who actually used the gas will pay the cost increases.

In calculating the Past Gas Cost Adjustment rate, the Company also revised its sales estimates for the remaining three months of the winter period. This revision is appropriate in order to decrease the chance of over- and under- recoveries due to changes in sales. We conclude that Bangor Gas's calculation is reasonable and that the inclusion of these costs in its rates is appropriate.

B. Customer Information Request

We have reviewed the concerns expressed by Ms. Martin regarding the availability of information to Bangor Gas's customers as to market trends in the commodity prices of gas that could indicate that future gas price changes could be necessary. Ms. Martin noted that market or, more specifically, resulting rate trend information could be helpful to customers in their usage planning if given in advance of a rate change application.

Given the fact that Bangor Gas is a new company and its customers are not necessarily familiar with how the natural gas markets work, we agree that it would be helpful for Bangor Gas to provide further information to its customers to assist them in following the gas market to provide them with a better understanding of the potential rate variances of the commodity that they use. One possibility might be for the Company to utilize its web page to include either specific information about the increase in the futures prices then as compared with the prices when the rates were last set, or links to other market resources. Another option might be to provide similar information in its monthly bill mailing.

We do not have a record before us in this case on which we could determine the best avenue to provide this information to Bangor Gas's customers. In this order, we direct Bangor Gas to file its proposals to provide this type of information to its customers. This filing should be made by March 14, 2003 so that we can consider it during our review of the summer Cost of Gas Adjustment.

V. CONCLUSION

BGC's proposed increases in its Energy Charge and the Past Gas Cost Adjustment are a result of increases in the commodity cost and we approve it. We also require BGC to file, by March 14, 2003, proposals to provide information on trends in the gas commodity market to its customers.

Accordingly, we

O R D E R

1. That Bangor Gas's proposed revised CGA rate of \$0.541 per therm shall take effect for gas consumed on or after February 1, 2003;
2. That Bangor Gas's proposed revised Past Gas Cost Adjustment rate of \$0.077 per therm shall take effect for gas consumed on or after February 1, 2003;
3. That Bangor Gas's Eleventh Revised Sheet Nos. 48 and 49 filed January 13, 2004, constituting its Cost of Gas Adjustment for the period February 1, 2003 through April 30, 2003, are approved; and
4. That Bangor Gas file by March 14, 2003 a proposal to provide information on gas market trends to its customers.
- 5.

Dated at Augusta, Maine, this 28th day of January, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.